

**Testimony for
Jerry Cook
Vice President for Government and Trade Relations
Hanesbrands Inc.**

**RE: Investigation TR-5003-1: *Textiles and Apparel: Effects of Special Rules for Haiti
on Trade Markets and Industries***

November 8, 2007

Mr. Chairman, Ladies and Gentlemen of the Commission, thank you for the opportunity to appear before you today to discuss the effects of the new HOPE legislation on Haiti. I am Jerry Cook, the Vice President for Government and Trade Relations for Hanesbrands Inc. and we manufacture various knit apparel garments in Haiti under the CBTPA and potentially will export under the HOPE Act.

I refer you to my written submission on this investigation and wish to take this opportunity to highlight a few points for your consideration. Specifically, I would like to address the following six points:

1. Trade legislation is only one vital component to the development needs of Haiti. Security, predictability, skilled workforce, efficient governmental regulations and practices, sound infrastructure, respect for the rule of law and a viable dispute resolution mechanism are all critical elements needed to sustain long-term development in Haiti.
2. There needs to be deliberative effort to incorporate those partner companies, the Dominican Republic and US entities who have stayed the course and endured the adverse conditions over the past several years.
3. In addition to the specific trade rules of origin that promotes development of Haiti-DR-US investment, there needs to be a like effort to focus on efficient trade management at the account level to facilitate trade while insuring the strong trade compliance-we need to utilize the account model.

4. Key benefits of the legislation need to be appropriately aligned between seeking short-term stimulus but not at the expense of discouraging the long-term development. For Example, the linkage of the use of 3rd country inputs tied to the specific entity/supply chain of knit apparel provides the greatest linkage for integration/development vs. the abundant granting of 3rd country inputs that would stifle both existing and new investment in the vertical supply chain. Further, the original HOPE was correctly designed with an increasing percentage of value requirements above the 50% threshold to ensure sustainable development.
5. The co-development opportunities of Haiti with the United States and the Dominican Republic are critical to all parties. We are concerned with any attempt to restrict the co-processing and consumption of US and DR inputs/activities would be a setback for trade growth.
6. The trade legislation needs a viable time-frame of at least 10 years for development and to encourage investment with protection for any phase-out or ceasing the trade program. I want emphasize the importance of both the 10 year horizon needed for trade legislation with Haiti in both the HOPE legislation as well as the extension of the CBTPA program to a fully integrated solution for Haiti.

First, I would like to highlight the fact that Hanesbrands Inc has been engaged in the manufacturing of apparel in Haiti for nearly a decade. We are responsible for the largest scale of production in Haiti as well as on the island of Hispaniola. The integration of US inputs integrated with the Dominican Republic into Haiti has achieved a level of development to assist us to attempt to balance risk and service demand that could only be achieved by the trade-offs of sustainable development.

This investment has been one of vertical integration. Just as the intent of the HOPE bill is to provide critical direct investment benefits to integrate Haiti, it also incorporated the Dominican Republic and the US producers in upstream manufacturing (fabric and yarn) as well as key service providers.

In response to a predictable trade enabling environment, we have furthered developed our supply chain by the use of US fibers, US yarns, US fabrics and now at state of the art textile mill in the Dominican Republic. This direct investment has allowed us to remain competitive in the global marketplace and it demonstrates that the key companies that have been involved in Haiti need the balance with the Dominican Republic and the US.

That balanced approach has successfully permitted us to continue to operate in Haiti even when the political and physical environment became extremely difficult. Contrast this behavior with a detached strategy that could openly grant undirected 3rd country inputs into knit apparel which would undermine ours investments and development in Haiti-DR-US.

As a result, the majority of apparel production currently in Haiti is knit apparel. Knit apparel represents over 95% of Haiti's exports. Current trade is primarily in knit shirts, and underwear. (over 24%). Between 2005 and 2006, imports of knit apparel increased by over 24% while woven apparel declined by a half a percent. Clearly, it is the knit industry that has achieved the sustained commitment to the apparel industry in Haiti. We want to ensure that our investments, partnerships and providers which have invested in this Haiti-DR-US success can stay the course under the trade program.

Secondly, having identified the predominance of knit apparel production in Haiti, and the decline of woven apparel trade over the years, we agree that producers need the flexibility to balance their production in order to remain competitive. The law allows the woven industry to achieve this balance by providing a tariff preference level for non-beneficiary originating inputs to be used in the manufacture of apparel.

However, for the knit apparel industry, it needs the flexibility to balance risk and to mitigate concentration of products. By linking this flexibility to the entity, a chief-value mix of US-DR-Haiti inputs are assured and uniquely tied to that entity for sustainable growth and fraud prevention. This flexibility will allow production of certain goods that

otherwise would be made in Asia to be produced in Haiti. Over time, the value of that required content increases to mirror the desired growth under HOPE. This direct linkage becomes a core incentive when linked to the entity to reduce risk and achieve a blended balance of product and yet sustaining growth in Haiti.

We have invested significant resources on the island and want to ensure that we are able to benefit from goods produced there whether it is through the CBTPA, the HOPE or the FTA. There needs to be clear opportunity to utilize the programs to grow and reduce risk and increase predictability of investment and partnerships.

While we are addressing the legislative challenges, I need to highlight there are real structural challenges in Haiti that are realities we must consider:

- The infrastructure in Haiti is significantly lacking in many aspects. The ports are not on par with those in the Dominican Republic nor US security standards. The transportation has its own set of challenges ranging from trucking services, to roads, to required non-specific fees that may be required to move goods through the country, the port and out to sea.
- The real limitations in water supply, water purification, energy, and investment in end of cycle production operations such as dyeing, finishing, etc. along with good environmental behavior has placed this activity solely in the DR. These industries require significantly more capital investment and cannot be put in place overnight.
- The HOPE legislation/implementation lacks the critical Administrative and infrastructure enhancement to mitigate the 20+ years of infrastructure issues that have continued between Haiti, DR and the USA. Production needs to freely cross borders or be exported from one or the other directly to the US without losing benefits.

In regard to the trade program, the fluctuations that plague preference programs that keep expiring/changing do nothing but discourage participation. The current HOPE bill is linked to the Caribbean Basin Trade Partnership Act (CBTPA) which is currently

scheduled to expire September 30, 2008. In the absence of being able to use some of the production made under that program to help qualify an entity for eligibility under the HOPE, companies will not be able to manufacture in Haiti in any increased fashion and possibly will decrease production as the CBTPA expires.

The program needs clear predictable regulations. An important factor to remember is that trade incentives need the support of industry in order to provide any benefits to Haiti. While the regional value origin requirement were visionary in the HOPE Act, it has become almost unworkable due to the manner in which it is being implemented. Even Hanesbrands Inc., a sophisticated manufacturer with vertical operations and years of experience in using US preferential programs views the current compliance obligations under the program as so potentially unmanageable and damaging to our good reputation in compliance matters with CBP that we are reluctant to use it. The apparent documentation requirements, visa procurement, shipping restraints and calculation methodologies will require risk vs. direct benefits. We believe an account structure needs to be administered to facilitate trade and yet provide high levels of compliance.

The HOPE Act should be implemented with the intent of Congress being fully taken into consideration. The intent was to develop a program that benefited the partnership of Haiti-DR-US related operations. It was to encourage investment in up-stream manufacturing, encourage the use of US FTA or unilateral preference programs, and offer economic stability to Haiti and the Dominican Republic. Perhaps some of these objectives can be advanced under the existing law, if the implementation is made simpler.

I thank you again for this opportunity and look forward to answering any questions you might have.